
Future Supply Business Ops Under PSCM



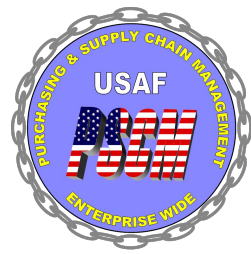
Scott Correll
HQ AFMC/LGK

Integrity - Service - Excellence

For Official Use Only



Sustainment Case for Change



Expeditionary Ops
Increasing Costs

Loss of Intellectual
Capital

Outdated
Processes
& Systems



Competition → Partnering



Honeywell



Small Business Partners



Logistics Transformation



Adaptive & Responsive
Radical change
Integrated



Air Expeditionary Force
Agile Combat Support
Maintenance/Sustainment



Rapid Deployment
Sustainability



20% ↑ in aircraft availability
10% ↓ in O&S cost by FY2011



100% on time delivery
↓ flowdays 25%
↓ costs 10%



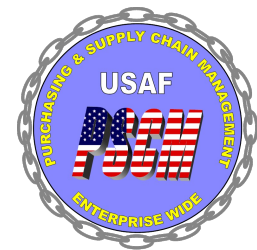
50% ↓ in sourcing cycle time
20% ↑ in supply material availability
20% ↓ in material purchase and repair

Force Wide Transformation, Synergy & Collaboration Needed to Achieve Goals



AFMC Supply Operations

Scope of Business



Multiple Supply Chain Management Organizations
157,000 Line Items

Organic & Contract Depots



Manufacturers



760K Items Delivered
\$3.2B

AFMC Supply Business Area



1.7M Items Delivered
\$1.37B

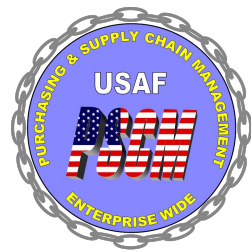
FY04 Sales
\$6.4 Billion

Net Sales
\$5.76 Billion





PSCM Integrated Business Model



DYNAMIC STRATEGIC PLANNING

Top-down
driven
strategy

Enterprise-wide Supply
Chain Business Rules

Balanced
Scorecard

**Customer
Relationship
Management**

- Integrated order fulfillment
- Customer self-service
- Proactive analytics

**Integrated
Supply Chain
Planning**

- Unconstrained AND constrained demand & supply plans
- Collaboration with suppliers & customers

**Strategic
Purchasing**

- Leveraged commodity-centric sourcing
- Ongoing structure for:
 - * market intelligence
 - * commodity strategies
 - * supplier improvement

**Supplier
Relationship
Management**

- Performance-based contracts
- Supplier scorecards
- Supply base development

END-TO-END SUPPLY CHAIN MANAGEMENT

Transparent
information
visibility

Inventory
Optimization

Data as a
Strategic
Resource

Improvement

Strategically-
Focused

Workforce



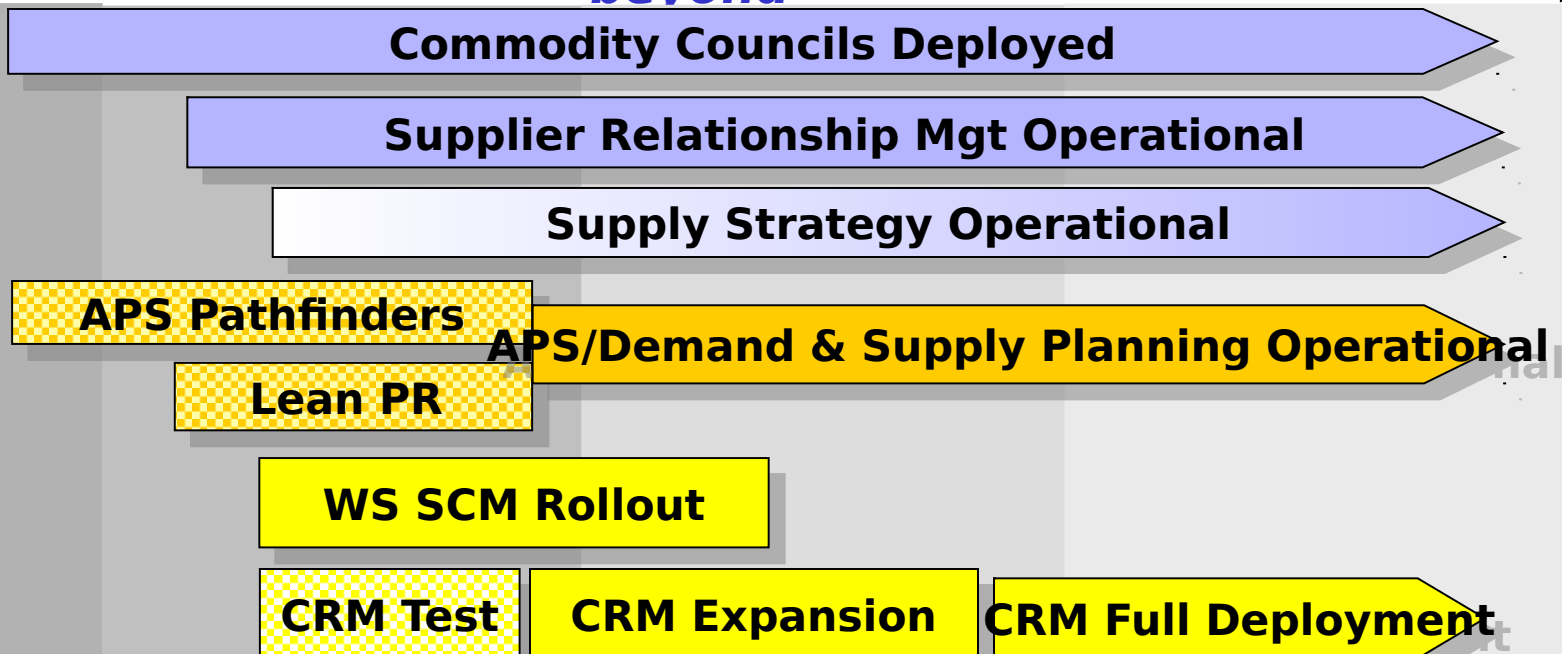
PSCM Transition Roadmap

The transition plan to the future-state of PSCM can be notionally represented as several emphasized areas of development from FY04 - FY08 and beyond

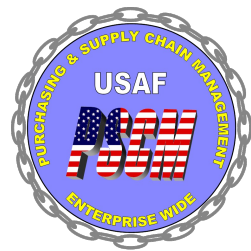
FY04

FY06

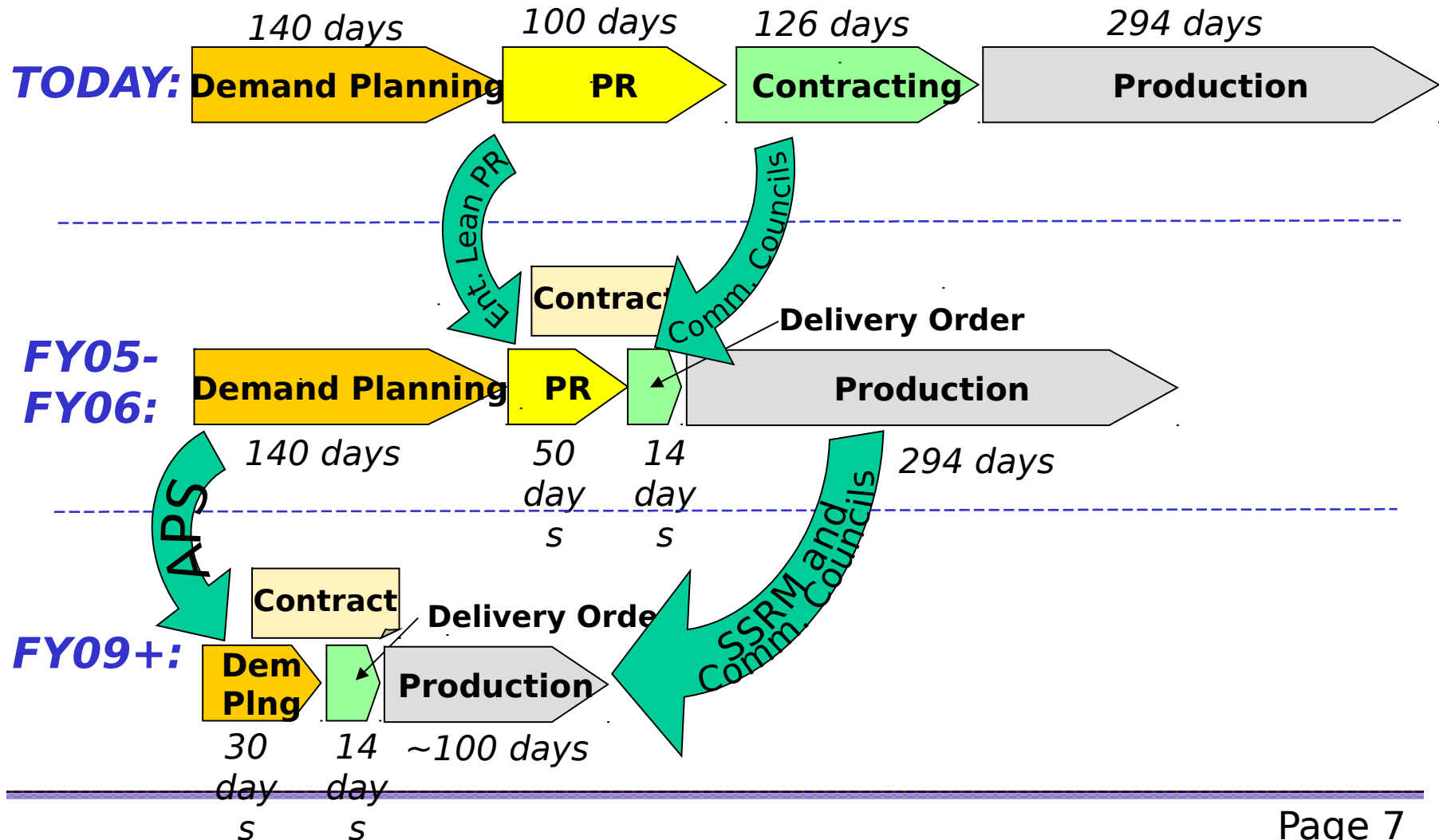
FY08



- ☐ Deploy PSCM goals and standards via **balanced scorecard**
- ☐ Improve **Supply support to Maintenance**
- ☐ Create strategic **workforce development** plan
- ☐ Deploy PSCM **communication, education and training** program

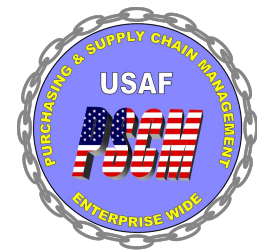


Source Cycle Time Example





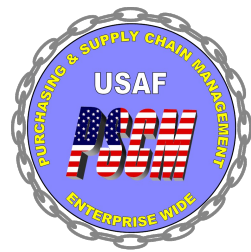
Commodity Councils



Commodity Group	Lead ALC	ALC	GES	Stock #s	# Contracts	# Contract Actions
Aircraft Accessories	OC	ma City		3417	2148	3136
Aircraft Engines	OC	ma City		3121	1689	4018
Aircraft Structural	W-R	-Robins		2358	1148	1591
Communications Electronics	W-R	-Robins		11138	4271	7111
Instruments	OC	ma City		1862	1128	1576
Landing Gear	OO	len		1034	905	1154
Secondary Power System	OO	len		253	180	253
Support Equipment	W-R	-Robins		3641	4159	5106
TOTALS		3349		26824	15628	23945



Commodity Councils

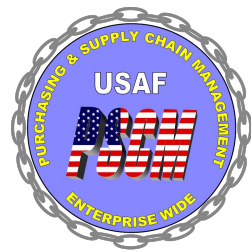


Commodity Group	Lead ALC	# of CAGEs	Stock #s	Stock #s / KT	# KT Actions	Total KT Spend
Aircraft Accessories Wave 1	OC	460	3417	1.59	3136	\$915,871,545
Aircraft Engines Wave 3A	OC	411	3121	1.85	4018	\$4,226,370,453
Aircraft Structural Wave 3B	WR	261	2358	2.05	1591	\$747,238,515
Communications Electronics Wave 2	WR	808	11138	2.61	7111	\$1,897,767,309
Instruments Wave 2	OC	324	1862	1.65	1576	\$470,163,117
Landing Gear Wave 1	OO	130	1034	1.14	1154	\$556,395,838
Secondary Power Systems Wave 2	OO	45	253	1.41	253	\$335,920,867
Support Equipment Wave 1	WR	910	3641	.88	5106	\$1,147,071,870
TOTALS		3349	26824	1.72	23945	\$10,296,799,514

92% of Commodity Dollars Spent FY01-FY03



PSCM Value Proposition



Increase NSNs/Contract

Increase Actions/Contract

Partnering Opportunities

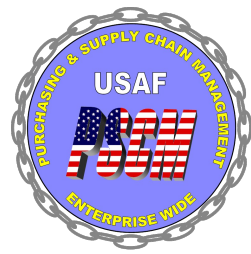
Small Business Opportunities

Commodity Group	Supplier CAGEs	NSNs	Contracts	Contract Actions	Total Contract Spend	% of Spend
Communications - Electronics	808	16026	4271	7111	\$2,915	17.7%

Optimize Supply Base

Decrease # of Contracts

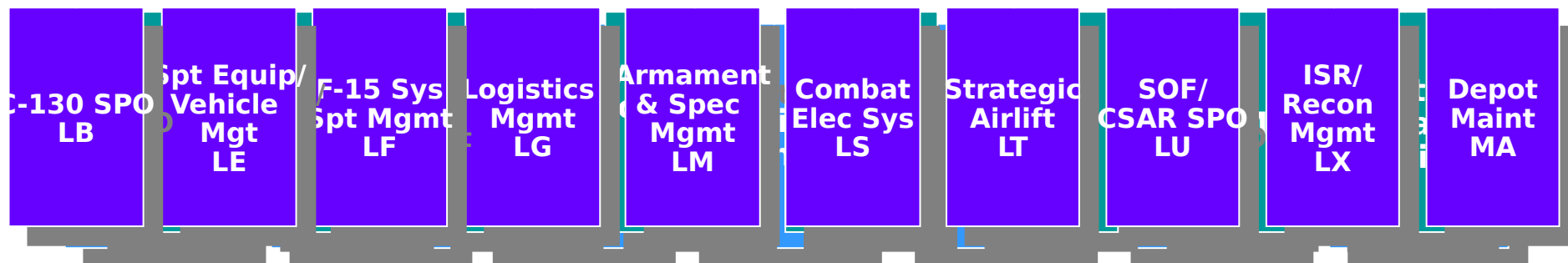
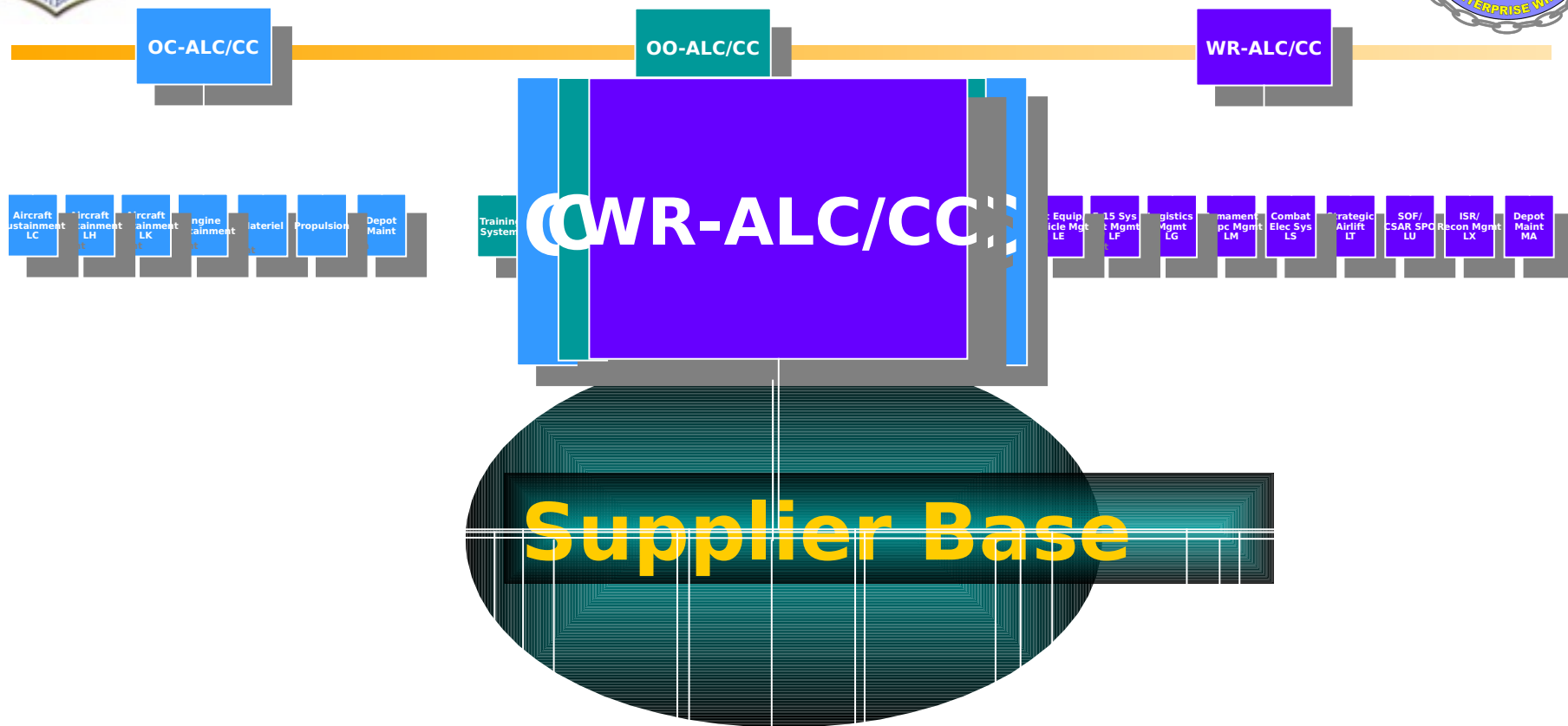
Decrease Contract Costs



Organizing to Achieve Business Objectives

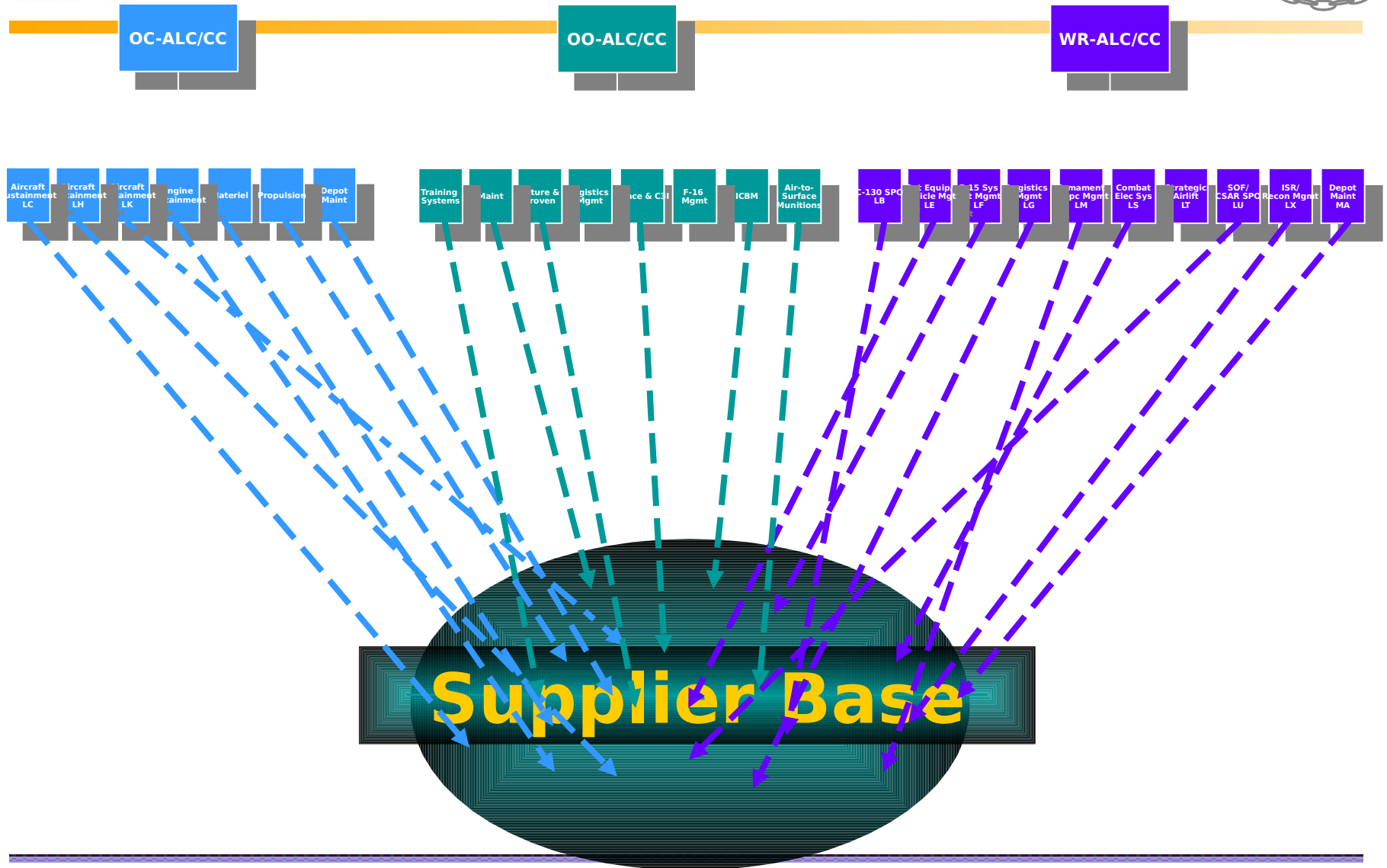
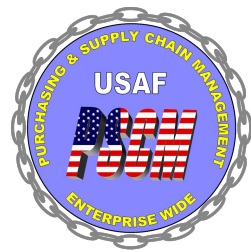


Current Business Model



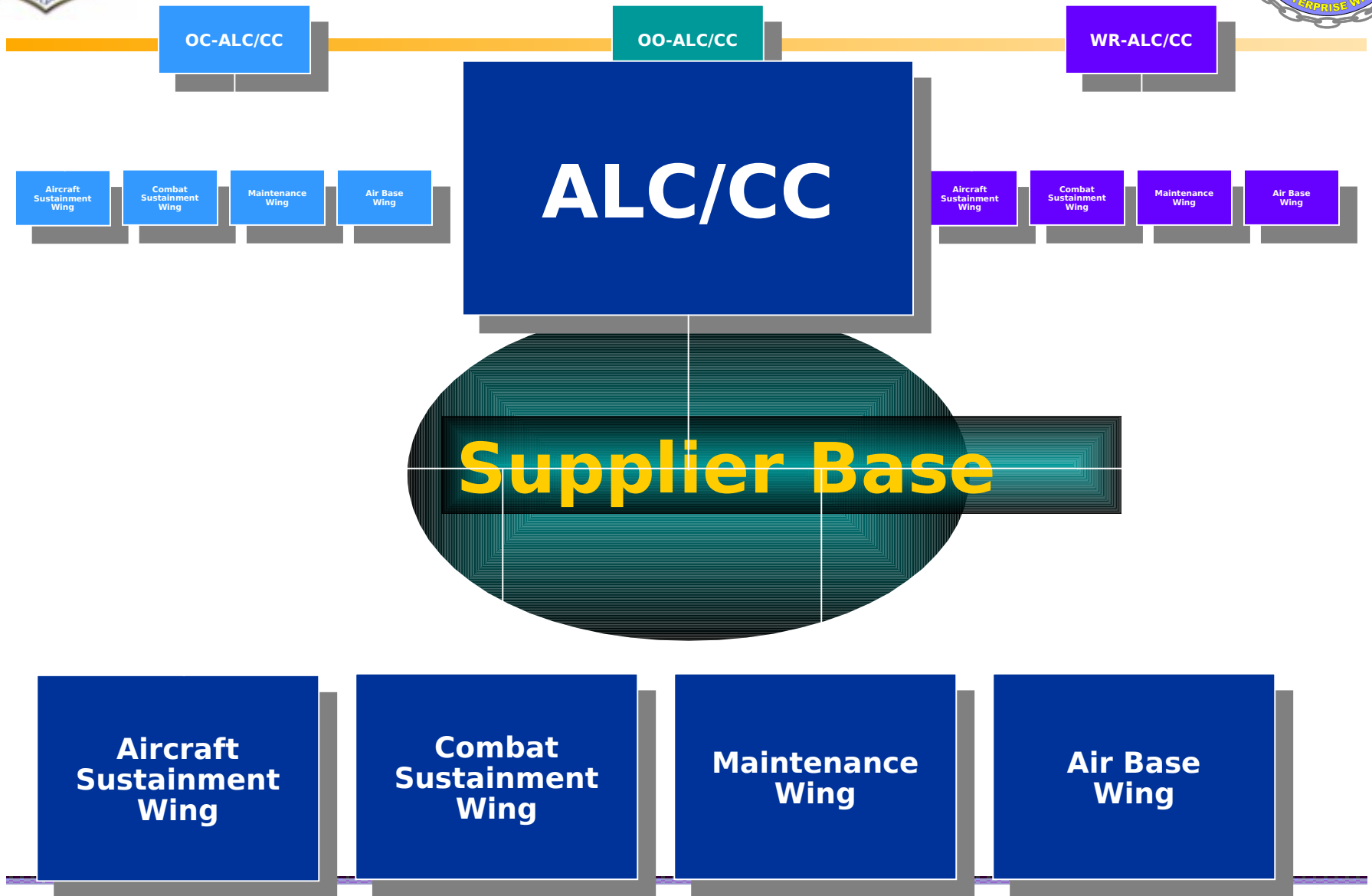
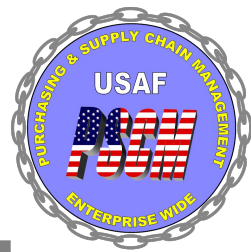


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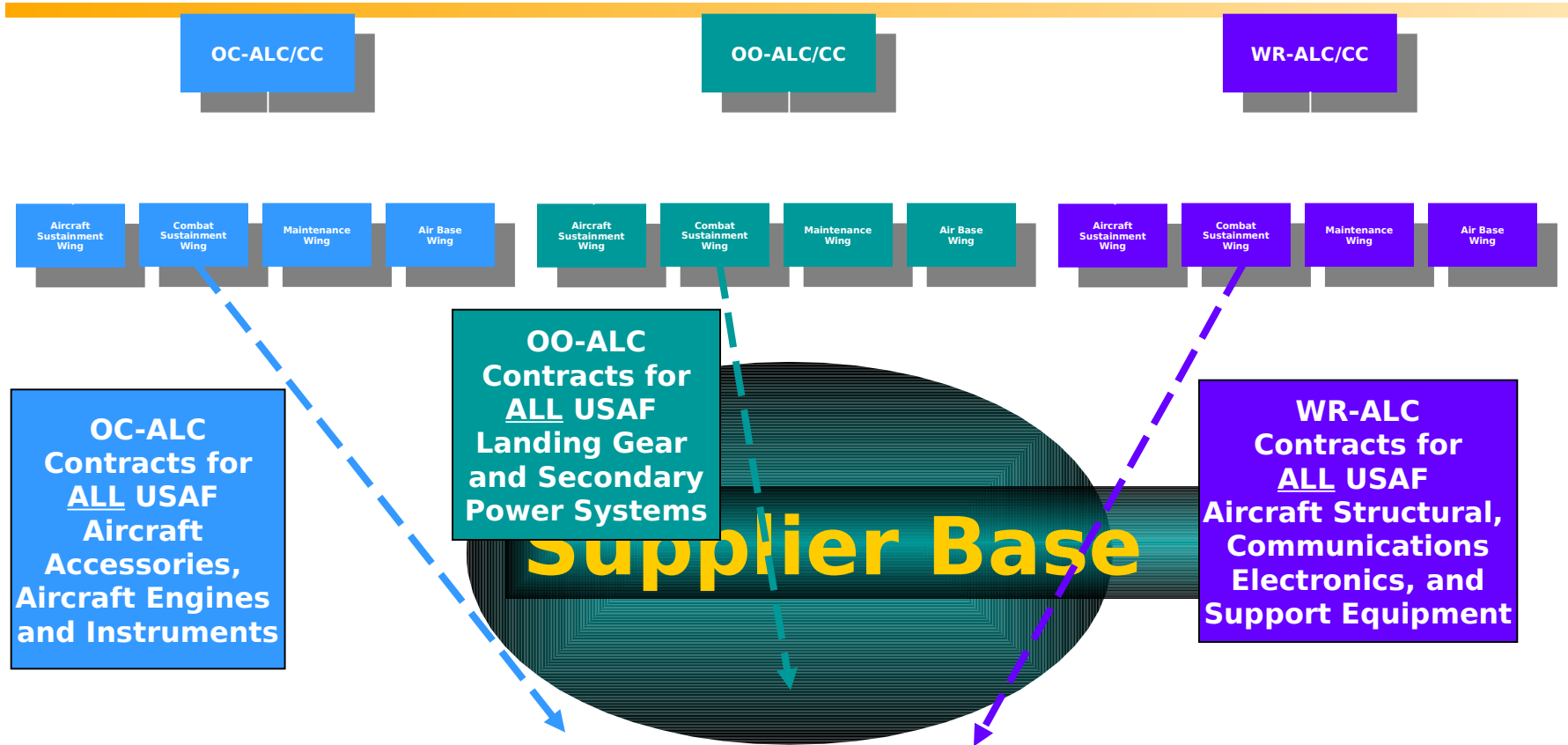
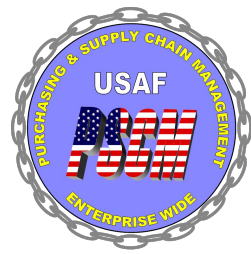


Future Business Model



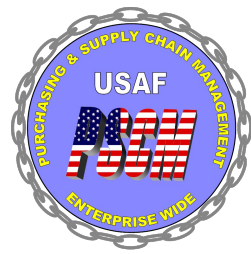


Future Business Model

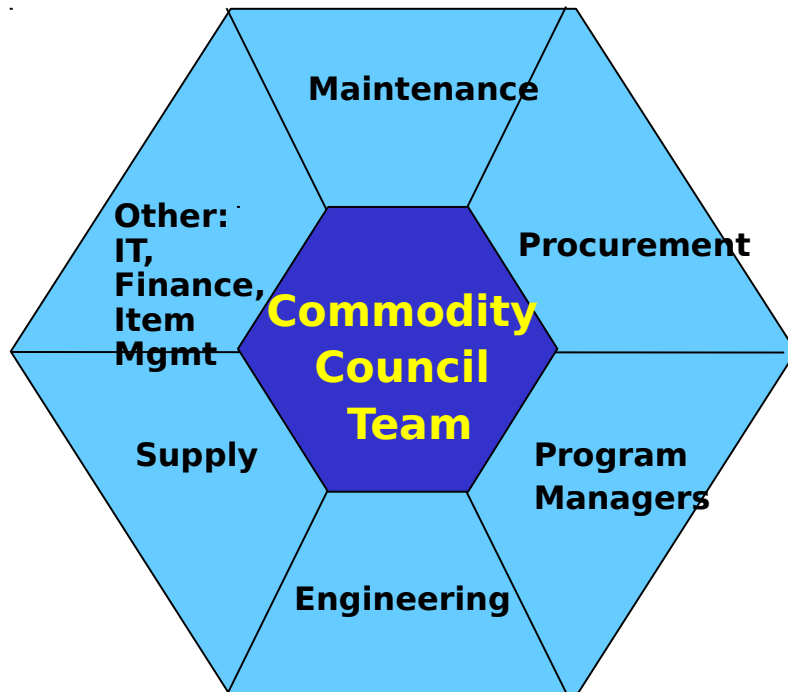




Commodity Councils



MISSION: Develop and execute AF-wide commodity sourcing strategies



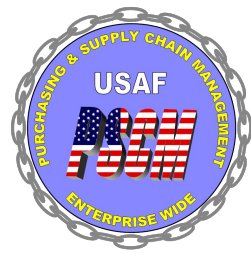
Responsible For:

- Developing AFMC-wide commodity sourcing strategy
- Executing commodity sourcing strategy
- Monitoring supplier performance
- Supplier development and relationship management
- Commodity market intelligence

Not Responsible For:

- Developing the demand planning forecast
- Managing customers, weapon systems or items
- Conducting tactical planning, scheduling and asset management
- Performing tactical contract management activities

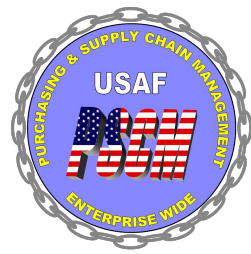
These functions performed by Supply Chain & Weapon System Management Personnel



Commodity Council Team

(Typical Membership)

Commodity Council (CC) Director <ul style="list-style-type: none"> • Executes CC Mgt • Formulates CC strategy • Accountable for CAMP • Accountable for Goals and Stds 	Procurement Manager <ul style="list-style-type: none"> • Functions as PCO • Develops contract and sourcing strategy • Executes contract 	Sourcing Supply Analyst <ul style="list-style-type: none"> • Conducts spend, gap and strategy analysis • Develops and manages Supplier Scorecards 	Commodity Council Deputy Director <ul style="list-style-type: none"> • Manages day-to-day operation of council • Coordinates the matrix support team • Responsible for assembling the CAMP • Goals and Stds POC
Sub-Council Manager <ul style="list-style-type: none"> • Manages commodity sub-group • Formulates strategies for sub-group 	Sub-Council Members <p> Sourcing Supply Analyst Commodity Expert Commodity Expert Procurement Manager Business Analyst Supply Chain Analyst </p>		Supply Chain Analyst <ul style="list-style-type: none"> • Commodity SC Strategic Planning • Continuous Process Improvement POC
Data Specialist <ul style="list-style-type: none"> • Performs data analysis • Ensures quality and availability of data <p>(shared resource)</p>	Business Req'ts Analyst <ul style="list-style-type: none"> • Customer Relations POC • Interpret customer needs 	Commodity Expert <ul style="list-style-type: none"> • Engineering and technical expert • Commodity Standardization 	Market Analyst <ul style="list-style-type: none"> • Research, analyze and interpret market intelligence • Builds knowledge repository



PSCM Governance Structure

Material Governance Board (MGB)

- Own sourcing process for Supply Chain
- Approve overall sourcing and supply chain goals and objectives
- Evaluate ongoing commodity council performance

SSRM is part of MGB

Strategic Supplier Relationship Manager

- Develop supplier objectives and strategies (overall framework)
- Monitor and review supplier performance at strategic level
- Collaborate with exec sponsors to determine sourcing execution responsibility

Suppliers

Strategic

Operational

Direction

Strategies

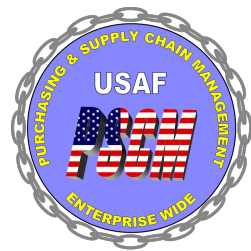
Approval

Commodity Knowledge & Supplier Performance

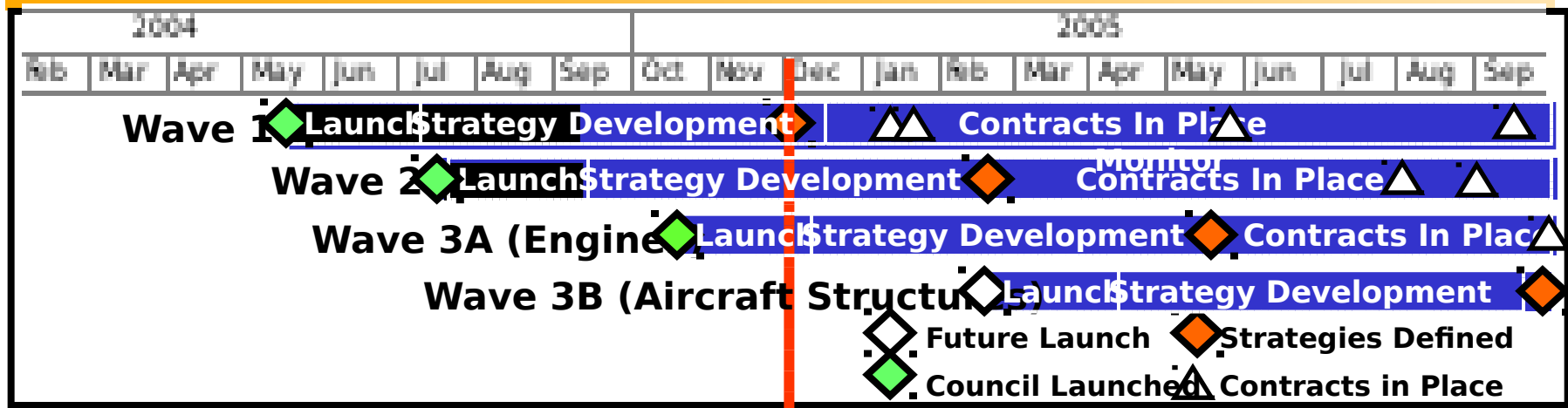
Supplier Knowledge

Commodity Councils (CC)

- Establish/execute AFMC-wide commodity strategies
- Capture, monitor, and distribute supplier performance for commodity
- Manage operational relationships with suppliers



Commodity Council Progress



✓ 7 of 8 Councils Launched & Developing Strategies

- Members identified, trained & “on it”

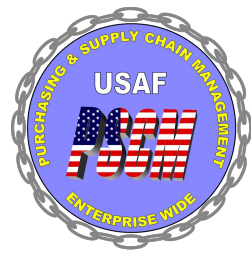
✓ Material Governance Board in operation

- Command's 8 Supply & Contracting leaders

✓ Commodity Councils are forging ahead

- 3 of 8 Commodity Management Plans Approved
- Several Spiral Strategies Approved
 - Great variety in initial strategies
 - Small business involvement
 - Performance clauses & partnering
 - Moving to Contract Phase

**Contract
Spirals Begin
Rollout
in 2005!**



Summary of PSCM Benefits

Key Changes

- Customer and supplier collaboration
- Flexible Contract Structures
- Performance Based Contracts
- AFMC-wide commodity strategies
- Real-time supply chain visibility
- Enterprise planning & execution
- Supplier performance improvement
- Lean Sustainment Processes
- Strategic contracts based on commodity-based strategies

Benefits

**Supply
Material
Availability
Improvements**

A blue-tinted image of an F-35 fighter jet in flight, with another smaller jet visible in the distance.

Benefits

**Supply Chain
Cost
Reduction**

A blue-tinted image of a warehouse interior, showing numerous stacks of cardboard boxes on pallets.

Benefits

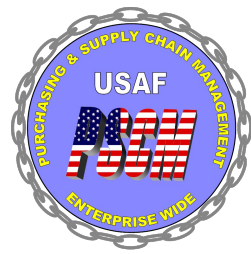
**Cycle Time
Improvement
s**

A blue-tinted image of an airplane on a runway, with other aircraft visible in the background.



Summary

Expected Outcomes



□ **Benefits to the Warfighter**

- More responsive to mission demands
- Lower cost products
- On time deliveries
- Fewer items in depots, more at the field units
- High quality products



□ **Benefits to the Air Force**

- Easier to execute purchasing arrangements
- Reduced cycle times
- Less transaction “thrash”
- Lower Unit Prices
- Accountable to AF Corporate Structure



□ **Benefits to Suppliers**

- More predictable, longer-term business
- Strategic, focused relationship with AFMC
- Fewer, higher-value contracts
- Lower overhead costs

